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Message Text

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ACTION ARA-10

INFO OCT-01 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01 CIAE-00
CIEP-01 COME-00 DODE-00 EB-08 FPC-01 H-01 INR-07
INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06
OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-07 PA-01 PRS-01
SSC-01 /102 W
----------092340Z 116298 /73
R 092214Z FEB 77
FM AMEMBASSY QUITO
TO SECSTATE WASHDC 3161
INFO AMCONSUL GUAYAQUIL

C O N F I D E N T I A L SECTION 1 OF 2 QUITO 0921

E.O. 11652: GDS
TAGS: ENRG PGOV EC PINR
SUBJ: NATURAL RESOURCES MINISTER RENE VARGAS IS REPLACED BY BRIGADIER GENERAL JAIME EDUARDO SEMBLANTES POLANCO

1. BEGIN CONFIDENTIAL. BEGIN SUMMARY. COLONEL RENE VARGAS HAS BEEN REPLACED AS MINISTER OF NATURAL RESOURCES BY BRIGADIER GENERAL JAIME SEMBLANTES EFFECTIVE FEBRUARY 9. WE UNDERSTAND THAT VARGAS HAD CONFIDENTLY EXPECTED TO BE ABLE TO HOLD ONTO THE POSITION THROUGH THE END OF FEBRUARY, IN ORDER TO SEE THROUGH THE GOE'S BUY-OUT OF GULF, AND IN ORDER TO TAKE CERTAIN ACTIONS REGARDING THE NORTHWEST COMPANY'S GAS-EXPLOITATION PROJECT AND THE ADA CASE; BUT THAT VARBAS' EARLIER REMOVAL WAS MADE POSSIBLE BY A SCANDAL INVOLVING A CLOSE ASSOCIATE, CEPE'S DIRECTOR OF MARKETING, WHO WAS RECENTLY ARRESTED AT THE AIRPORT IN CARACAS WITH A SATCHEL CONTAINING $25,000 IN GREEN-BACKS. WE HAVE AS YET SCANT INFORMATION ON THE POLICIES AND ACTIONS SEMBLANTES IS LIKELY TO UNDERTAKE AS MINISTER, BUT THERE ARE GROUNDS FOR HOPING THAT HE WILL PROVE APPRECIABLY MORE MODERATE AND ENLIGHTENED THAN HIS PREDECESSOR. END SUMMARY. END CONFIDENTIAL.

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2. BEGIN UNCLASSIFIED. MINISTER OF NATURAL RESOURCES AND ENERGY, RENE VARGAS, ANNOUNCED EVENING OF FEBRUARY 8 THAT HE WOULD BE LEAVING THAT POSITION THE FOLLOWING DAY AND WOULD BE REPLACED BY BRIGADIER GENERAL JAIME EDUARDO SEMBLANTES POLANCO. GENERAL SEMBLANTES UNTIL NOW HAS BEEN THE CHIEF OF THE JOINT STAFF OF THE ARMED FORCES.

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3. VARGAS ALSO ANNOUNCED THE RESIGNATION OF THE TWO SUB-SECRETARIES OF THE MINISTRY-LUIS PARODI VALVERDE, SUBSECRETARY FOR NATURAL RESOURCES AND ENERGY; AND NAVY CAPTAIN RAUL CANIZARES, SUBSECRETARY FOR FISHERIES. VARGAS SIAD THAT REPLACEMENTS FOR THESE TWO HAVE NOT YET BEEN DECIDED UPON.

4. REGARDING HIS ONWARD ASSIGNMENT, VARGAS SAID IN RESPONSE TO PRESS QUERIES THAT HE WILL BE "RE-INTEGRATED INTO SPECIFIC ACTIVITIES OF THE ARMED FORCES." HE MADE NO MENTION OF THE POSSIBILITIES, FREQUENTLY REPORTED IN THE LOCAL PRESS, THAT HE WOULD BE NEXT ASSIGNED AS ECUADOR'S MILITARY ATTACHE IN EITHER SANTIAGO OR BUENOS AIRES.

5. ALSO IN RESPONSE TO JOURNALISTS' QUERIES, HE SAID THAT HIS MOST SIGNIFICANT ACCOMPLISHMENT DURING HIS LITTLE OVER A YEAR IN OFFICE HAD BEEN THAT OF "HAVING MADE THE GULF OIL COMPANY COMPLY WITH THE LAWS OF ECUADOR, AND LEAVING THE REQUISITES COMPLETED FOR THE TRANSFER OF GULF'S 37.5 PERCENT SHAR (IN THE TEXACO-GULF-CEPE CONSORTIUM) IN FAVOR OF THE NATION." HE SAID THAT ALL THAT REMAINS TO BE DONE TO COMPLETE THE GOE'S BUY-OUT OF GULF IS TO OBTAIN A LOAN TO FINANCE THE ACQUISITION OF GULF'S SHARES, AND HE ADDED THAT THE LOAN IS BEING SOUGHT BY FINANCE MINISTER SANTIAGO SEVILLA.

6. VARGAS ALSO TOLD THE NEWSMEN THAT ECUADOR'S OIL PRODUCTION COULD BE RAISED FROM 210,000 TO 240,000 BARRELS PER DAY BY THE END OF THE YEAR IF THE TEXACO-CEPE CONSORTIUM UNDERTAKES AN ACTIVE INVESTMENT PROGRAM FOR WHICH CEPE IS SEEKING
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THE NECESSARY FIANCING FOR ITS SHARE. END UNCLASSIFIED.

7. BEGIN CONFIDENTIAL. COMMENT: SUPREME COUNCIL CHAIRMAN ADMIRAL POVEDA HAD TOLD THE AMBASSADOR ON FEBRUARY 7 THAT VARGAS' DEPARTURE FROM THE MINISTERIAL POSITION WOULD BE ANNOUNCED THE FOLLOWING DAY. THE EMBASSY REFRAINED FROM REPORTING THIS IMMEDIATELY BECAUSE, FRANKLY, WE HAD BECOME WEARY AND LEERY OF REPORTING VARGAS' IMPENDING DEPARTURE AND NOT SEEING IT MATERIALIZE. POVEDA HAS BEEN TELLING US SINCE LAST NOVEMBER THAT HE INTENDED TO REMOVE VARGAS PROMPTLY, BUT VARGAS PROVED TO BE THE TAIL THAT WAGGED THE DOG--PRESUMABLY BECAUSE OF HIS FAIRLY STRONG FOLLOWING WITHIN THE ARMY, HE WAS ABLE TO PERSUADE THE SUPREME COUNCIL TO ALLOW HIM TO STAY ON LONGER FOR THE PURPOSES OF, WE BELIEVE, (A) SEEING THROUGH THE GOE'S BUY-OUT OF GULF, (B) TAKING SOME ACTIONS TO PROMPT NORTHWEST TO STOP DRAGGING ITS FEET RE ITS PROJECT FOR EXPLOITATION OF NATURAL GAS DEPOSITS IN THE GULF OF GUAYAQUIL, AND (C) TAKING SOME ACTIONS REGARDING ADA'S CLAIM AGAINST THE GOE NOW THAT THE CLAIM HAS BEEN

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TAKEN OVER BY THE OKC COMPANY WHOSE PRESIDENT, CLOYCE BOX, HAS LONG-STANDING FRIENDLY RELATIONS WITH VARGAS. WE RECENTLY LEARNED FAIRLY RELIABLY THAT VARGAS WAS CONFIDENTLY PLANNING TO STAY IN THE MINISTERIAL POSITION THROUGH THE END OF FEBRUARY.

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OES-06 SP-02 SS-15 STR-04 TRSE-00 ACDA-07 PA-01 PRS-01
SSC-01 /102 W
----------092340Z 116394 /73
R 092214Z FEB 77
FM AMEMBASSY QUITO
TO SECSTATE WASHDC 3162
INFO AMCONSUL GUAYAQUIL

C O N F I D E N T I A L SECTION 2 OF 2 QUITO 0921

8. WE HAVE REASON TO BELIEVE THAT HIS ACCELERATED DEPARTURE IS CONNECTED WITH ANOTHER CURRENT HEADLINE-NEWS STORY IN ECUADOR--THE DETENTION OF DR. RAMIRO ESTRELLA, CEPE'S DIRECTOR OF MARKETING, AT THE CARACAS AIRPORT ON JANUARY 20 WHEN VENEZUELAN AUTHORITIES FOUND HE WAS CARRYING A SUITCASE WITH $25,000, ALL IN $100 BILLS. ESTRELLA WAS HELD UNDER ARREST IN VENEZUELA AND, ACCORDING TO PRESS REPORTS FROM CARACAS, HE GAVE VARIOUS CONFLICTING EXPLANATIONS FOR HIS POSSESSION OF THE $25,000, AND THEN ATTEMPTED TO COMMIT SUICIDE. THE VENEZUELANS SUBSEQUENTLY ANNOUNCED, REPORTEDLY, THAT THEY HAD FOUND NO EVIDENCE ESTRELLA HAD COMMITTED BRIBERY OR OTHERWISE CONTRAVENED VENEZUELAN LAW. ESTRELLA RETURNED TO QUITO FEBRUARY 3 AND HAS BEEN PLACED UNDER ARREST HERE, PENDING AN INVESTIGATION ANNOUNCED BY THE GOE. ESTRELLA WAS PERMITTED TO MEET WITH THE PRESS ON FEBRUARY 7, AND HE ASSERTED THAT HE WAS COMPLETELY INNOCENT OF ANY WRONGDOING, AND THAT THE MONEY WAS SIMPLY HIS "PERSONAL SAVINGS" WHICH HE HAD PLANNED TO SPEND ON AN EXTENDED TRIP. HE SAID HE HAD NOT ACTUALLY TRIED TO COMMIT SUICIDE BUT HAD SLASHED HIS WRISTS AS AN ATTENTION-GETTING DEVICE BECAUSE THE VENEZUELANS HAD BEEN IGNORING HIS DEMANDS FOR RELEASE.

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9. NO ONE BUT NO ONE IN ECUADOR BELIEVES THAT ESTRELLA IS INNOCENT OF SHADY DEALING IN CONNECTION WITH THE $25,000, AND COMMENTARIES AND CARTOONS IN THE LOCAL PRESS HAVE BEEN RIDICULING HIS PROFESSIONS OF INNOCENCE. ESTRELLA IS KNOWN TO BE A CLOSE ASSOCIATE OF VARGAS, AND THE ESTRELLA AFFAIR IS QUITE LIKELY WHAT ENABLED THE SUPREME COUNCIL TO OUST VARGAS AT THIS TIME. WE UNDERSTAND THAT VARGAS MADE IT ALL THE EASIER FOR THIS TO HAPPEN WHEN, IN RECENT DAYS, HE TOLD HIGH-RANKING MILITARY AND GOVERNMENTAL OFFICIALS THAT HE WAS CONVINCED ESTRELLA IS INDEED INNOCENT OF WRONG-DOING--AN ASSERTION WHICH EVEN SOME OF VARGAS' STAUNCHEST SUPPORTERS FOUND IMPOSSIBLE TO SWALLOW, AND WHICH TENDED TO RAISE OR DEEPEN SUSPICIONS ABOUT VARGAS' INVOLVEMENT WITH ESTRELLA.

10. WE HAVE AS YET LITTLE HARD INFORMATION ABOUT GENERAL SEMBLANTES AND THE KINDS OF POLICIES AND ACTIONS HE IS LIKELY TO UNDERTAKE AS MINISTER OF NATURAL RESOURCES. DURING A BRIEF CONVERSATION AT THE AIRPORT ON FEBRUARY 9, HE TOLD THE DCM THAT HE SEES A GREAT NEED FOR STEPPED-UP FOREIGN INVESTMENT IN EUCADOR'S FISHING SECTOR, AND WE GATHER FROM OTHER AVAILABLE INFOR-MATION THAT HE IS WELL DISPOSED TOWARDS FOEIGN PRIVATE INVESTMENT. WE ARE HOPEFUL THAT HE WILL REFLECT THE RELATIVELY MODERATE AND ENLIGHTENED (AS COMPARED WITH VARGAS') ATTITUDES OF THE SUPREME COUNCIL MEMBERS REGARDING OIL MATTERS.

11. WE WILL BE TRYING IN THE NEXT FEW DAYS AND WEEKS TO OBTAIN A CLEARER PREVIEW OF THE POLICIES AND ACTIONS SEMBLANTES WILL BE UNDERTAKING AS REGARDS GULF'S DEPARTURE, TEXACO'S PARTICIPATION IN THE CONSORTIUM AND IN FUTURE OIL INVESTMENT, THE NORTHWEST STANDSTILL, THE ADA CASE, THE NEED FOR A RESUMPTION OF LARGE-SCALE OIL EXPLORATION ACTIVITY, THE PRICE RISE TO BE EFFECTED FOR ECUADOREAN OIL EXPORTS (RETROACTIVE TO JANUARY 1 AS PER THE LATEST OPEC DECISION), AND OTHER MATTERS OF U.S. CONCERN. END COMMENT. END CONFIDENTIAL
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BLOOMFIELD

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